AGENDA ITEM:

REPORT TO:	**PERFORMANCE AND AUDIT MANAGEMENT COMMITTEE & POLICY& FINANCE COMMITTEE**
DATE:	**06 SEPTEMBER, 2007 & 18 OCTOBER, 2007**
REPORT NO.	**CFO/153/07**
REPORTING OFFICER:	**EXECUTIVE DIRECTOR OF RESOURCES**
CONTACT OFFICER:	**KIERAN TIMMINS**
OFFICERS CONSULTED:	**CORPORATE LEADERSHIP TEAM**
SUBJECT:	**FINANCIAL REVIEW 2007/08 – April – June Review**

Purpose of Report

1. To review the financial position, both revenue and capital, for the Authority for 2007/08. The Authority receives regular comprehensive financial reviews during the year which provide a full health check on the Authority's finances. This report covers the first 3 months of the year (April – June 2007).

Recommendation

2. That the Performance & Audit Committee recommend that the Policy & Finance Committee approve the 2007/08 budget variations and saving options identified in this report.

Executive Summary

The Authority has a detailed medium-term financial plan. The key elements of this are :-

- The use of smoothing and modernisation reserves to part finance the 2007/08 budget and enable the modernisation of the service to give time to deliver medium and long-term savings.
- The medium-term savings are being achieved mostly by staffing efficiencies, which will be achieved without redundancy by using natural retirement rates and if required VER/VS.

The Authority is on target to deliver the £6.6m 2007/08 budget savings, (£3.4m ongoing from 2006/07), including a £0.276m saving from Telent (see breakdown in Appendix A).

The Authority is on line to deliver the structural changes in its workforce to maintain savings in the longer term.

The Authority's 2006/07 accounts are in the process of being audited and

are not expected to receive any qualifications. As previously reported the accounts show an improvement in the modernisation reserve of £0.633m and in other earmarked reserves of £1.077m.

The effect of the variations to the revenue budget including approved amendments, proposed variations, pay, and general inflation have been allocated to the appropriate individual lines within the budget and details of all these can be found in Appendix B. Overall :-

a) Progress has been good in meeting savings targets
b) The decision to buy back pensions has had an adverse impact on the Authority's general reserve of £0.091m which will require savings to be identified .
c) Risks associated with budgetary assumptions are monitored closely and there are no matters to bring to members attention

The 'bottom line' original budget of £69.595m has been adjusted for approved amendments, virements and use of reserves. However, as all adjustments are self-balancing the overall budget remains at £69.595m, but general reserves of £0.091m and earmarked reserves of £0.532m have been drawn down to fund an increase in planned operating expenditure of £0.623m. Appendix B1, B2 and B3 outline for member's information the quarter 1 budget movements.

The original 2007/08 Capital Programme of £6.750m has been adjusted to reflect rephasing from 2006/07 of £4.897m and any approved 2007/08 virements. The revised Capital Programme is now £11,653m and is outlined in detail in Appendix C.

Short-term interest rates have increased to 5.75%, as at July 2007, this was anticipated in the Treasury Management Strategy, although a risk of further increases is high. No new longer term loans have been taken out in the first quarter of this financial year.

Internal Audit continues to work against the approved programme. Reports on PFI and Performance Indicators for audit work completed at the end of 2006/07 were received in the first quarter of this year. Details of audit conclusions for this work had been incorporated in the "Annual Review of Audit" report to members at the Authority meeting on 26 June 2007, CFO/122/07. Reports on Treasury Management and Budgeting & Cost Centre Management are currently being finalised.

Performance in Financial processes remains strong.

Reason for Report

3. To enable the Authority to monitor its income and expenditure levels against its budget on a regular basis throughout the year to ensure effective financial management.

4. This report is the review of the Authority's position up to the end of the June of the financial year 2007/08 (April – June 2007).

5. In order to ensure that the financial reviews provide a regular and effective financial health check on all aspects of the Authority's finances the following structure has been adopted.

Financial Review Structure

Section	Content
A	Final Position 2006/07
B	Current Financial Year Review (Revenue Budget, Capital Programme and movement on Reserves)
C	Treasury Management Review
D	Internal Audit
E	Financial Process Monitoring/Performance Indicators
F	New Finance & Payroll System progress report

(A) 2006/2007 Position/Final Accounts

6. As previously reported the Authority's accounts for 2006/07 were formally presented to the Authority at its meeting on 26 June 2007 (report CFO/123/07) and approved.

7. These accounts reported no variation to the anticipated general revenue reserve of £2.0m and an increase in earmarked reserves of £1.7m to fund £0.787m slippage of grant and specific projects into 2007/08, £0.633m re-instatement of modernisation reserve funds and £0.29m for new projects in 2007/08.

8. At the time of writing this report the Audit Commission have not yet completed the audit of the accounts but Finance Services are not aware of any areas of concern identified by the auditors and are confident the Audit will approve the accounts without any qualifications.

(B) Current Financial Year – 2007/08

Revenue

9. Members will recall that they have set a budget and medium term financial plan that contains significant savings targets most notably:-

(a) Dynamic Staff savings targets (£4m)

(b) Further Management Savings targets (£0.7m)

Progress against these targets is as follows:-

Dynamic Staff Savings Target - £4.0m in 2007/08

As part of the strategy to deliver the required permanent +£6m savings identified during the 2006/07 budget process a plan was developed to deliver over £5.2m of staff savings over a three year period 2006/07 – 2008/09. The plan anticipated achieving £4m of this saving by the end of 2007/08. As reported in the 2006/07 outturn report, CFO/123/07, to the Authority meeting on 26 June 2007 the Authority has been very successful in implementing changes to staffing arrangements and delivered over £3m staff savings in 2006/07. The £1.998m dynamic staff saving adjustment identified in Appendix B is the realignment of the employee budget and dynamic saving target to reflect the structural changes implemented in 2006/07. The Authority remains on target to deliver the remaining £0.8m of the £4m dynamic saving target during 2007/08. Some work is still required to fully implement proposed changes which will deliver savings of £5.2m by next year.

10. **Management Saving Target - Net £0.532m**

In setting its budget for 2007/08 the Authority set senior management the task of identifying savings to cover:

	£m
Service Improvement Growth approved in 2007/08 budget	-0.382
2007/08 Original Management Target saving in the year	-0.100
Increased Management Saving Target in the year	-0.050
Cost of funding sustained excellence structure	-0.154
	-0.**686**

Officers have identified the following savings to meet this target:-

(a) **Finance Service - £61k saving**

- Proposed new staffing structure £41k saving. The Finance Service has not undergone a formal re-organisation for some years now but new challenges have changed the skill set and job profile significantly over recent years. The work now requires less processing based support and more technically qualified staff to deliver the support to management and members required in a modern financial environment. Specifically changes to

(i) the proper accounting practices guidance for the production of the annual accounts and the move to UK GAAP and International Accounting Regulations,

(ii) implementation of a new computerised general accounting system and e-agenda, and

(iii) the required improved maintenance of financial systems and financial control in order to be assessed as performing excellently in the CPA evaluation process.

The Service has managed to meet these challenges by seconding staff within and between service teams and the payment of ARAs. In effect the proposed structure reflects that which has been in place in an informal capacity for the past 18 months. The new structure will reduce the number of full time equivalent posts from 26 to 23 but this can be achieved by the deletion of existing vacant posts.

- Treasury Management savings £12k - the rescheduling and restructuring of the Authority's debt portfolio will deliver the additional savings.

- Reduction in Finance Service professional fees budget of £8k

(b) **Strategy & Member Development – £17k saving**

Production of annual Best Value News via website publication only rather than with Merseytravel will save £15k. Merseytravel have indicated that 2007 will be their final year of producing this publication as it is no longer a statutory requirement post 2007. The remaining £2k saving is from a reduction in the Service's car allowance budget.

(c) **Community Fire Safety - £60k saving**

The Director is planning a review of how the CFS, Youth and Fire Safety services can be delivered in a more efficient and effective way. The review will commence during 2007/08 and the Director is confident it will deliver annual permanent efficiencies of £60k. However, until these savings can be specifically identified they will be achieved via the management of existing vacancies.

(d) **Estates - £10k saving**

Despite recent significant increases in the unit price for the supply of gas an analysis of the past two years spend indicates a saving of £10k is available on the £280k budget.

(e) **Operational, Preparedness & Resilience – £118k saving**

After identifying £82k of saving to cover unavoidable growth within the service (including the likely increase in the new PPE equipment contract £35k, and another £32k for maintenance contract for new marine rescue boat – both previously reported to members), the Director has identified further numerous small saving totalling £118k over a variety of non-employee controllable budget heads. These savings will not adversely impact on the Service's performance.

(f) **Performance & Values - £55k saving**

Based on historically spending commitments and the continued management of casual overtime a saving of £55k has been identified against the c£280k overtime budget for Fire Stations & MACC.

(g) **Corporate Communications - £32k saving**

The use of the in-house skills for graphic work will save £10k on the professional fees budget. The deletion of the vacant marketing assistant post £14k and further savings on professional fees £8k will deliver further savings of £22k.

(h) **People & Organisational Development - £312k saving**

The consistent review and development of the use of resources and the introduction of alternative staffing arrangements has enabled the management of the R.R.T. area with reduced resources. Consequently the Director by continuing with the current dynamic management process will deliver a saving of £300k per annum.

The rationalisation of the green book staffing establishment within People & Organisational Service has supported the development within the Diversity Function and realised a permanent saving of £12k

(i) **Knowledge & Information - £11k saving**

By utilising the skills of the Service's staff a saving on the professional fees budget can be realised.

As a result of the savings identified and the significant progress made in efficiency it has been possible to fully implement the Authority budget decision and in particular the senior management restructure which delivers significant savings.

11. At the meeting of the Policy and and Finance committee 26 July 2007 it was agreed to pay the employers contribution for those firefighters who were on strike in 2006/07 and had registered an interest to buy back their pension entitlement. The estimated cost to the Authority is £0.091m for which no budget provision exists and therefore must be funded from general reserves in 2007/08. The Authority will have to identify savings during 2007/08 to reinstate the general reserve to the level required based upon risk assessments of £2.0m .

<u>Other Risks and assumptions within the budget decision decision</u>

In setting the budget the Authority made number of assumptions and decisions. Those with the largest likely financial impact have been assessed and current information reaffirms that the assumptions and decisions made during the budget were realistic and robust. The table overleaf summarises the current position on those assumptions.

	Budget Decision /Assumption/Risk	**Value £'m**	**Update**	**Current Assessment**
1	Assumed that New dimensions grant would continue at a higher than base budget level	0.150	Figure not yet confirmed. Circular 33/2007 from CLG stated grant will continue in short term and will be revisited in the next RSG formula review.	LOW
2	Pay awards 2%	0.450	Firefighter July 2007 award settled at 2.4% and can be contained within overall inflation provision. Latest APT&C offer 2%, each additional 0.1% above 2% would equate to £10k..	LOW
3	Assume that authority will not be charged for working on hydrants/licensing	0.500	Mrs Kay Jaspel of the Dept. of Transport who is responsible for steering the ‘bill’ through Parliament and the production of the Code of Practice (CoP). has informed that under Chapter 9 of the CoP, it gives an exemption for obtaining a permit	LOW
4	Job Evaluation	0.300	Current pay modelling indicates that costs can be contained within £0.300 threshold. Officers are in the process of finalising pay model.	LOW

Inflation Provision

12. The 2007/08 budget anticipated 2% for pay awards and 2% for general prices inflation. The overall adequacy of the provision is still considered to be satisfactory to meet the 2007/08 pay awards and likely price increases:

- **2007/08 Pay Awards:**

  Firefighters Pay (award w.e.f. 01.07.07). The budget assumed an increase of 2.0%, however the actual award was 2.4% an additional 0.4%. The cost of the 0.4% in 2007/08 is estimated at £0.140m and £0.185m from 2008/09 onwards. The additional cost of the pay award can be contained within the overall unallocated inflation provision (£1.3m) as the impact of the dynamic staff savings and other budget savings has reduced the call on the inflation provision.

  - **APT&C Pay** (award w.e.f. 01.04.07). Pay discussions are still on-going and the latest offer is still in line with the budget assumption of 2%. For each additional 0.1% increase above the budgeted 2% would result in additional employee costs of £0.01m.

  - **Non-Pay** Budget provision of 2% for general price increases appears to be adequate, the Government anticipate inflation in the medium term to fall back to the target rate of 2%.

Capital

13. Attached as Appendix C is the latest capital position statement. The only significant change to the original approved programme has been the incorporation of 2006/07 slippage into 2007/08 of £4.897m.

14. Apart from the slippage no other major variation to the planned programme is being reported at this time. Officers are continuing to review the planned programme for any re-phasing of schemes.

Use of Reserves

15. The analysis in Appendix B1 outlines the movement on reserves during the first quarter of 2007/08. After adjusting the £5.76m of earmarked reserves brought forward from 2006/07 for the anticipated drawdown of reserves in the 2007/08 original budget of £1.691m, the Authority's has earmarked reserves of £4.072m at the start of the year. In the first quarter further earmarked reserves of £0.532m have been drawndown to fund re-phased projects from 2006/07.

16. Members were advised at the Authority meeting on 26 June 2007 in report CFO/123/07 on the 2006/07 outturn position that £0.29m of real savings were to fund the following new earmarked reserves:

	£m
"FMIS" – Exploiting emerging technologies	0.060
Embedding Fire Fighter Healthy Living	0.030
Fire Fit Kids Community Programme	0.050
Additional FSN Support	0.110
Interoperability between blue light services	0.040
	0.290

Project officers for the above schemes will report in more detail during the year on these schemes. Members requested information on what other requests for reserves were considered by officers. Those unsuccessful requests are:

- Office Accommodation SHQ £0.2m
- Ill Health Commutations £0.262m

The SHQ office accommodation request to cover possible works on the old stores area was rejected on the basis any future scheme would be considered as a bid for new capital growth. The ill health commutations bid reflected the likely additional cost above budget for the next two years, £0.131m p.a., of level one ill health settlements above that anticipated, however it was felt these costs (if incurred)could be contained within the overall employee budget.

17. No drawdown from the modernisation reserve has been actioned in the first quarter of 2007/08.

Summary

18. The effect of the variations to the revenue budget including approved amendments, proposed variations, pay, and general inflation have been allocated to the appropriate individual lines within the budget and details of all these can be found in Appendix B. Overall :-

(j) Progress has been good in meeting savings targets
(k) The decision to buy back pensions has had an adverse impact on the Authority's general reserve of £0.091m .
(l) Risks associated with budgetary assumptions are monitored closely and there are no matters to bring to members attention

19. The table below summarises the movements in the budget to date:

	£m	£m
Original Budget		**69.595**
• Reduction in Dynamic Staff Saving target	1.998	
• Employee budget reduced for full implementation Of 2006/07 dynamic staffing changes	-1.998	

• Reduction in Efficiency Saving target	0.532	
• Implement Management Savings to deliver S5 a), b) & c) Savings in 2007/08 Budget resolution-Appendix A	-0.532	
• Increase in service operating costs funded from Earmarked reserves	0.532	
• Increase in service operating costs funded from General Reserve	0.091	
Overall Increase in operating expenditure		0.623
Funded by:		
• Drawdown from Earmarked Reserves	-0.532	
• Drawdown from General Reserves	-0.091	
		-0.623
Current Budget		**69.595**

General Reserves balance now reduced from £2.0m to £1.909m

(C) Treasury Management

20. The Authority continues to "buy in" Treasury Management from Liverpool City Council. The following paragraphs reflect Treasury Management activities in the period April to June 2007/08.

Prospects For Interest Rates

- Shorter-term interest rates

21. The UK's Monetary Policy Committee (MPC) was concerned about the risk that inflation which had reached 3.1% in March 2007 would not fall back as quickly as anticipated to its 2% target. Treasury Officers thought that the MPC would vote for at least one but probably two more rate hikes of 0.25% to achieve this. UK short term interest rates (bank rate) were therefore predicted to rise from 5.25% at the start of the financial year to 5.75% early in the year and then remain static for the rest of the financial year.

22. In the light of continuing house price inflation and retail spending growth despite the tightening credit conditions, and more aggressive corporate pricing intentions, the MPC increased the Bank Rate by 0.25% at both its May and July meetings to its current level of 5.75%. Money rates are discounting at least one more increase with the possibility of even more after that. A further rise to 6.00% before the end of this financial year therefore cannot be ruled out.

- Longer-term interest rates

23. It was forecast that longer term rates would rise in the early part of the year due to continuing inflation concerns, buoyant growth and an expected higher Bank Rate. Thereafter, assuming growth and inflation moderate, it was expected that rates would return towards previous levels. Longer-term PWLB rates were expected to rise from the 4.40% at the start of the financial year to reach perhaps 4.75% in the middle part of the year before falling back to around 4.50% by the end of the year.

24. As predicted, the 50 year rate rose steadily during the first quarter of the financial year and reached 4.80% at the end of the quarter. It is likely that this rate will firm slightly more before easing back towards the end of the year as demand for long dated bonds by institutional investors puts downward pressure on long term rates. However, given the uncertainty and recent volatility of the economy, there is a possibility that volatility might increase and rates might rise more than forecast.

Capital Borrowings and the Portfolio Strategy

25. The Authority's net capital borrowing requirement for 2007/2008 was estimated at £12.8 million. The anticipation was that long-term fixed rates would remain lower than shorter term borrowing throughout 2007/08. New borrowings would therefore be at longer term rates in order to minimise borrowing costs. Against this background, the interest rate market is monitored and a pragmatic approach is adopted to any changing circumstances. No new capital borrowing was arranged in the first quarter of this financial year.

Annual Investment Strategy

26. The investment strategy for 2007/2008 set out the priorities as the security of capital and liquidity of investments. Investments are made in accordance with ODPM Guidance and CIPFA Code of Practice. Investments are made in sterling with an institution on the counterparty list and for a maximum of one-year duration.

27. The Authority aims to optimise investment returns whilst maintaining appropriate levels of security and liquidity. In the period 1st April 2007 to 30 June 2007 the average rate of return achieved on average principal available was 5.39%. This compares with an average seven day deposit (7 day libid) rate of 5.46%. There have been limited funds available for investment in the period to the extent that the average period an investment was placed was for only 2.1 days thus limiting the flexibility to achieve higher returns. The average base rate in the period was 5.39%.

External Debt Prudential Indicators

28. The external debt indicators of prudence for 2007/08 required by the Prudential Code were set in the strategy as follows:

Authorised limit for external debt:	£64 million
Operational boundary for external debt:	£54 million

Against these limits, the maximum amount of debt reached at any time in the first quarter of the financial year 2007/08 was £43 million.

Treasury Management Prudential Indicators

30. The treasury management indicators of prudence for 2007/08 required by the Prudential Code were set in the strategy as follows:

(a) Interest Rate Exposures

Upper limit on fixed interest rate exposures: 100%
Upper limit on variable interest rate exposures: 50%

The maximum that was reached in the first quarter of the financial year 2007/08 was as follows:

Upper limit on fixed interest rate exposures: 100%
Upper limit on variable interest rate exposures: 0%

(b) Maturity Structure of Borrowing

Upper and lower limits for the maturity structure of borrowing were set and the maximum and minimum that was reached for each limit in the first quarter of the financial year 2007/08 was as follows: -

Maturity Period	Upper Limit	Lower Limit	Maximum	Minimum
Under 12 months	30%	0%	0%	0%
12 months and within 24 months	30%	0%	6%	6%
24 months and within 5 years	30%	0%	0%	0%
5 years and within 10 years	30%	0%	5%	5%
10 years and above	95%	50%	89%	89%

(c) Total principal sums invested for periods longer than 364 days

The limit for investments of longer than 364 days was set at £2 million for 2007/08. No such investments have been placed during 2007/08.

(D) Internal Audit

30. During the first quarter of the year, Internal Audit submitted 2 reports on the outcome of audits undertaken in 2006/07 concerning the PFI scheme and Local Performance Indicators. These reports were incorporated into the 2006/07 year-end Annual Review of Internal Audit report to the Authority meeting on 26 June 2007, CFO/122/07, and do not count against the 2007/08 agreed audit plan. The final outstanding reports from 2006/07 for Treasury Management, and Cost Centre Budget management have been completed by Internal Audit and officers should have sight of them in the very near future. The attached Appendix D outlines 2007/08 audit work undertaken in quarter 1 which as members can see has involved preparatory and management advice to date. The majority of the Internal Audit has been planned to be undertaken over the next 6 months and will be reported in future financial review reports.

(E) Monitoring of Financial Processes

31. In order to ensure that the internal financial processes of the Authority are operating effectively, for example payroll, debt collection and payment of invoices, a suite of performance indicators has been developed and now feed into the financial review. Appropriate performance indicators and the data collection processes for these indicators continue to evolve and their number will grow in future reviews. At present indicators relate to Payment of Invoices, Non-Payroll Expenses, Petty Cash, Order Processing and Debtors.

Prompt Payment of Invoices

32. Prompt payment of invoices is an indicator under the Best Value legislation and the Authority is required to measure the number of undisputed invoices paid within 30 days of receipt. In January 2007 the Authority reconfirmed its commitment to the Department of Trade and Industry's Better Payment Practice Code (BPPC), which gives notice to suppliers of the Authority's commitment to pay promptly. Considerable effort has been made to develop a range of administrative processes to enable the Authority to comply with its obligations under the BPPC.

33. A comparison of first quarter performance over previous years confirms that system improvements continue to enable the Authority to pay invoices (some 1250 per month) more promptly.

2002/03	98%
2003/04	100%
2004/05	100%
2005/06	100%
2006/07	100%
2007/08	100%

34. The target for prompt payment set by central government for 2007/08 is 100%. The first quarter's results reconfirm the Fire & Rescue Service continues to

respond quickly and efficiently to requests for payment from suppliers, with 3,740 out of 3,751 invoices being paid within the timeframe.

35. In 2002 the Authority commenced making payments to suppliers by BACS transfer. The system was extended to pay non-payroll employee expenses and pension commutations. This initiative is consistent with the objective to, where possible, conduct business electronically in compliance with government targets. Previously all payments were made by cheque. In the period since April 2007 some 93% of invoice payments and 100% of employee payments been made electronically.

36. This represents a significant system improvement and enables the Authority to respond to a preferred payment method by both its suppliers and employees.

Processing Purchase Orders & Sales Invoices

37. Performance indicators have also been developed to monitor the turnaround of purchase orders, employee expense claims, petty cash reimbursements, sales invoices and late payment reminders. The purpose of these indicators is to give focus to quality service provision by helping to identify system weaknesses where they exist so that they can then be rectified.

38. The agreed turnaround targets are:

Purchase orders, 100% in 1 working day
Petty cash reimbursements, 100% in 2 working days
Sales invoice production, 100% in 2 working days
Reminder letters, 100% in 3 working days
Expense claims, 100% in 1 working day

39. Performance against these targets for equivalent quarter each year is as follows:

	2005/6	2006/7	2007/8
Purchase Orders	92%	90%	99%
Petty cash reimbursements	97%	97%	100%
Sales Invoice Production	94%	62%	79%
Reminders	94%	90%	99%
Expense payments	99%	100%	100%

40. The targets have proved extremely demanding in the drive for quality service provision and the service had additional challenges to. However, those transactions that fail to meet the 1, 2 or 3-day turnaround target are invariably processed within two days of the required date. Significant improvements have been made within the administrative processes and this can be seen from the consistently high performance over the period.

Debtors Process

41. A number of Performance Indicators have been developed to give drive and focus to the improvements to the debtors process. In addition to the prompt turnaround of sales invoices and prompt turnaround of reminder letter performance indicators, referred to above, a further indicator has been developed to plot the age profile of outstanding debt.

42. Significant improvements have been made to the debt initiation and recovery processes so that services provided by the Authority are invoiced in a timely manner and pursued with increasing effectiveness, which increases the likelihood of prompt payment.

The Age Profile of Outstanding Debt

43. A comparison of the number and value of aged debts over 60 days for the first quarter can be summarised as follows:

Number of debts 60 days+

	2005/6	2006/7	2007/8
April	69	89	65
May	64	102	106
June	64	110	90

Value of debts 60 days+

	2005/6 £'000	2006/7 £'000	2007/8 £'000
April	141	129	162
May	127	97	219
June	382	127	219

44. Considerable effort has been made in partnership with the Authority's Litigation Team to reduce to a minimum the level of bad debt. This work continues to be developed. The above analysis includes the amounts to be written off the bad debts provision.

45. In April 2004 the Authority changed the number of days which it requires customer accounts to be settled. To bring the Authority in line with the majority of its creditors the Authority has increased payment terms from 21 days to 30 days. It is anticipated that this move will further improve the relationship between the Authority and its customers.

46. Arrangements have been put in place to establish a formal mechanism for writing off bad debt and members will be aware that Financial Regulations have been changed to give greater clarity to the process for pursuing debt to a point where consideration will be given for it to be written off.

Bad Debts

47. The Executive Director of Finance has delegated powers to write off bad debts less than £5,000 but is required to report back when this power has been used. Appendix E gives an analysis of debts deemed as irrecoverable, the net value for the write off of the 16 invoices equates to £5,351, the majority of which has already been accounted for in the 2006/07 year end provision for bad debts

(F) New Finance & Payroll Systems (FMIS)

48. The Authority's Payroll system continued to operate in line with expectations and all payments were made without interruption.

49. The quarter has seen significant development in the delivery of automated systems for the procurement of goods and services. To accommodate these changes the financial system was upgraded to the very latest version of the e-Financials product provided Cedar Open Accounts (Version 3.4). The upgrade was completed on 20th April following an extensive period of testing. This was designed to ensure that when the new systems were implemented all appropriate quality assurance checks had been made so that systems performed in line with Users' requirements.

50. Consequently, at the end of April the e-Procurement software was upgraded to take advantage of system enhancements provided by Cedar Open Accounts. This latest build of the e-Procurement product has been used as the basis for rolling out the system to all Support Staff in a programme that is on-going and scheduled for completion during the second quarter.

51. The delivery of a second phase of developments to the e-Procurement software is planned for September/October 2007. It is intended to use that build of the product for the rollout to Fire Station-base Users. The "Phase II" release of the e-Procurement product will make it even more intuitive and User-friendly. It is forecast that rollout to Fire Stations will be completed by the end of the third quarter.

52. The experience gained thus far indicates that while the change in the business process is significant with Users having moved from a predominantly paper-based system to one that is automated, the new on-line e-Procurement system has generally been welcomed and begun to deliver many of the key objectives set out in the Business Case for the FMIS Project.

Equality & Diversity Implications

53. There are no equal opportunity implications in this report.

Financial Implications

54. See Executive Summary.

BACKGROUND PAPERS

Report CFO/46/07 “MFCDA Budget and Financial Plan 2007/2008-2011/2012” Authority 22 February 2007.

Report CFO/123/07 “Revenue Outturn 2006-2007 & The Statement of Accounts” Authority 26 June 2007